Volume 21 | Number 7 Article 2

1-1967

Farm Outlook for 1967

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For The Nation: Income Prospects Favorable, But Off Slightly From '66

For Iowa: Moisture Lack Causes Some Uncertainty

by Gene Futrell

NET FARM INCOME in 1966 totaled around $16 billion. This was nearly $2 billion above the previous year and was exceeded only in 1947 when U. S. farmers netted $17.1 billion. Net income per farm averaged around $4,900, the highest of record and compared with $4,210 in 1965.

Farm income prospects again look favorable for 1967, although some decline from the 1966 level appears likely. Uncertainties related to weather and market conditions are present as usual. And farm production expenses are expected to rise further. Government payments to farmers will also be smaller this year. Current estimates are that net farm income will be down as much as 5 percent. This would still leave the 1967 total about $1 billion above the 1965 level and well above other recent years.

Farm income prospects in Iowa for 1967 are also favorable, but may be more uncertain than the national outlook. Crop receipts will be influenced on the one hand by record 1966 production of corn and soybeans—much of which will be marketed this year. On the other hand, extremely low subsoil moisture levels are a potential threat to 1967 corn and soybean crops, even though acreage increases are expected.

Returns from hogs and eggs are expected to be somewhat lower in 1967, while receipts from dairying will be higher. Cattle prices are expected to average higher, but returns may be held to fairly moderate levels by higher costs of feed and feeder cattle. Total returns from livestock and livestock products will likely be down somewhat this year. Total net farm income in Iowa probably will be moderately below the 1966 level.

Product Demand Strong

Demand for U. S. farm products is expected to increase further this year, although the gain will probably be less than in 1966. Total business activity is expected to continue to rise, with additional gains in employment and consumer incomes. This, along with sizable military purchases, should provide some increase in domestic demand for food and other farm products.

Foreign demand for U. S. agricultural products also will be strong this year. Farm product exports in the 1965-66 fiscal year were valued at a record $6.7 billion, compared with $6.1 billion the previous year. Commercial sales at $5.1 billion accounted for all of

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the increase, with shipments under government programs down slightly. Although export prospects for individual products vary, total exports are expected to show a further gain this year.

Feed Grains

The 1966 corn crop was estimated on Nov. 1 at 4,130 million bushels, 1 percent below the previous year. Production in Iowa, however, was a record 889 million bushels, up 9 percent from a year earlier. Total U. S. production of feed grains (corn, grain sorghum, oats and barley) was estimated at nearly 159 million tons—also 1 percent below the previous year.

Domestic and export disappearance of feed grains in the 1965-66 marketing year increased sharply to about 174 million tons—well above 1965 production. As a result, carryover stocks on Oct. 1, 1966 were down to 43 million tons, compared with nearly 56 million tons a year earlier.

Feed grain utilization in the 1966-67 marketing year is expected to be near the high level of the past year. Although the number of animal units will be greater, lower feeding rates may leave domestic usage for livestock feed near the previous year. Feed grain exports were up sharply last year, reaching 29 million tons, compared with 22 million tons a year earlier. Larger 1966 feed grain crops in Europe and South America, along with higher U. S. prices, are expected to keep foreign shipments from showing any gain this year. With no increase in 1966-67 feed grain usage, carryover stocks would still decline further—to around 28 million tons on Oct. 1, 1967.

A major change in the feed grain situation from a year ago is the sharp drop in government corn stocks. As a result, Commodity Credit Corporation selling will be limited this year, in contrast to heavy sales in early 1966.

Corn prices this winter are expected to average at least 10 cents a bushel higher than a year ago—when central Iowa prices for No. 2 yellow corn were within a $1.09 to $1.17 range. Prices later in the marketing year will depend greatly upon the rate of domestic and export disappearance during the fall and winter, and upon 1967 acreage and production prospects. Changes in the feed grain program for 1967 are expected to bring an increase in 1967 acreage—possibly as much as 12 to 15 million acres.

If moisture and weather conditions are average or better next spring, a sizable gain in 1967 corn production would appear possible. This would probably limit any seasonal strength in prices next spring and summer. However, a strong indication that 1967 production would not be up materially would probably bring further price strength in the spring and summer.

Soybeans

The 1966 soybean crop was estimated on Nov. 1 at 929 million bushels, 10 percent above a year earlier. Carryover stocks on Sept. 1 totaled nearly 36 million bushels, giving a total supply of 965 million bushels for the 1966-67 marketing year.

Disappearance in the 1965-66 marketing year was nearly 838 million bushels. This included 538 million bushels crushed for soybean meal and oil exports of 251 million bushels. Increases in both crush and export are forecast for the current year. Early estimates are that the crush will increase to around 585 million bushels and that exports will rise to about 275 million bushels. Total disappearance of around 910 million bushels is likely, indicating a carryover on Sept. 1, 1967, of around 55 million bushels.

Soybean prices are expected to average above a year earlier this winter. However, prices aren't likely to repeat the spring-summer strength of last year. More beans were stored by farmers this year, and a moderately larger carryover is in prospect. Spring and summer prices are likely to be somewhat below winter levels, unless demands are stronger than expected or 1967 production prospects are poor.

Hogs

Returns from hogs should continue favorable throughout this year, although less profitable than in 1966. The increase in the 1966 fall pig crop should keep winter and spring marketings 8 to 10 percent above a year earlier. Volume is expected to continue above 1966 levels during the summer and fall—but by a slightly smaller margin than earlier.

Interior prices for barrows and gilts are likely to average $19 to $21 this winter. This would be much below the high levels of a year earlier. Prices may weaken slightly in early spring, as supplies show a temporary seasonal rise. But late spring and summer strength should carry interior prices to the $23 to $24 level by mid-summer.

The actual size of the 1967 spring pig crop will be the major influence on prices in the late summer and fall. If the increase in December-May farrowings is within the 6 to 8 percent range, prices next fall aren't likely to go below the $17 level. Despite higher corn prices the hog enterprise should continue profitable throughout 1967. Farrowings are expected to show further moderate increases this year.

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Cattle

Cattle marketings in 1967 are expected to be below the 1966 level—probably by 4 or 5 percent. Most of the decrease likely will occur in non-fed cattle, as culling from cow herds slows and steps are taken to expand herd size. Volume of fed cattle is expected to continue above a year earlier during the winter months, but should be below 1966 levels during the last half of the year. Marketings of non-fed cattle are expected to be below a year earlier throughout 1967, assuming feed supplies are ample enough to encourage maintenance or expansion of breeding herds.

Fed cattle prices are likely to show some strength during the winter quarter. Choice steers at Chicago may average $26 to $27 during this period and be near or a little above this level during the spring months. If the volume of fed cattle drops below 1966 levels during the last half of the year as expected, prices likely would show further strength—probably $2 to $3 from spring levels.

Several things could moderate price gains on fed cattle this year. Fed cattle will account for a higher proportion of the cattle slaughter than the past year. And there will be more steers but fewer heifers and cows in the slaughter supply. In addition, more lower quality steers and heifers are likely to move through feedlots, and more dairy calves will be fed out rather than sold as vealers. Further increases in pork supplies and poultry are also in prospect this year.

Feeding profits during 1967 are likely to be fairly moderate, despite relatively strong fed cattle prices. Prices on feeder cattle during the fall quarter were $2 to $4 higher than the previous year. Feeding costs will also be higher—at least for the first half of the feeding year. This combination indicates only modest profits during the winter period, with a possibility of somewhat better returns on cattle marketed later in the year.

Cattle slaughter in 1966 was about 5 percent above a year earlier, while calf slaughter was down about 12 percent. Total slaughter was up nearly 2 percent. With the 1966 calf crop 2 percent smaller than the previous year, the Jan. 1, 1967 inventory of cattle and calves will show a moderate decline, probably of 1½ to 2 million head. The beef cow herd is expected to be down slightly, along with a moderate drop in milk cow numbers. Therefore, at least a small decline in the 1967 calf crop can be expected.

Steps to increase the size of the beef cow herd seem to be underway. Cow slaughter dropped below year earlier levels in June of 1966—following a 2½-year rise. Slaughter of cows is expected to decline further in 1967, unless widespread feed shortages develop in producing areas. Movement of heifers into feedlots appears to have dropped below a year earlier as well, which may indicate more are being held for herd replacement.

Sheep and Lambs

The Jan. 1, 1967, sheep and lamb inventory is expected to show little change from the previous year. The ewe flock also will be close to year earlier size, with little change likely in the 1967 lamb crop. Sheep and lamb slaughter during 1967 is expected to be near or down slightly from the past year. However, the distribution of supplies may be somewhat different.

Winter quarter volume is expected to be larger than in 1966, with prices averaging lower. Marketings during the remainder of 1967 are likely to be a little below a year earlier. Spring prices are likely to show some seasonal strength and be above last year. The market is expected to follow a fairly normal seasonal pattern, but continue above 1966 levels during the latter half of this year.

Dairy Picture Stronger

Income to dairy farmers should show further gains during 1967, with prices and marketings both expected to increase from 1966 levels. Milk production is expected to be a little higher, following a 3 percent drop in output during the past year. A more moderate decline in milk cow numbers and a further rise in output per cow should turn production upward.

Continuation of price support levels of $4 per cwt. on manufacturing milk and 68 cents on butterfat will keep farm prices for milk and cream above 1966 levels during the early months of this year. Although higher costs for feed and labor will offset part of the price gain, returns to most dairy farmers should be higher. With supplies of dairy products in closer balance with commercial demands than in recent years, U. S. Department of Agriculture purchases of dairy products this year will be relatively small.

Eggs and Poultry

A larger, more productive laying flock is expected to keep egg production above year earlier levels during most of 1967. Prices and profits will be lower than in 1966.

In response to more favorable prices, the hatch of egg type chicks for flock replacement was considerably larger in 1966. The winter laying flock is expected to be 2 to 3 percent larger than a year ago, with the spring and summer flock likely to be up 1 to 3 percent. Assuming some cutback in hatch this spring, the laying flock late this year may be close to 1966 in size.

With a higher proportion of young layers in the 1967 flock, the rate of lay is expected to improve. Egg production during the January-March quarter may be 4 to 5 percent above last year, with spring-summer output up 2 to 4 percent. Winter prices may be 5 to 7 cents per dozen below a year earlier. Seasonally, prices are likely to decline to a low during the spring period—followed by some recovery during the summer. Prices during this period may average around 5 cents lower than in 1966.

Turkey production is expected to increase further in 1967, but by less than the 11 percent boost in 1966. An increase of around 5 percent from the nearly 116 million birds produced last year now seems likely.